

Japan Value Equity Small Cap

May 2025

Strategy

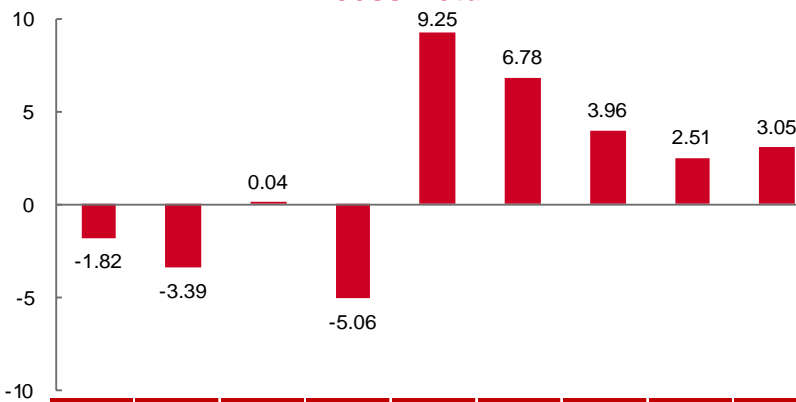
Small Cap Strategy invests in Japanese small cap equities and aims to achieve above-benchmark return in the mid-to long-term. The portfolio manager builds a portfolio by investing in undervalued stocks with careful consideration of risk/return. A bottom-up approach is used. The Japanese equity research team analyzes intrinsic value of individual stocks and compares it with market price in order to identify undervalued stocks. The portfolio is not constrained by sector weights.

Market Review

The Japanese market rose in May on expectations for softer tariff policy out of the Trump administration in the US. The rise was led by the non-ferrous sector, which grew on expectations for increased demand for telecommunication cables following the announcement of a large data centre construction project in the Middle East, and the banks sector, which grew on expectations for wider net interest margins following the increase in Japanese interest rates.

The market rose in the first half of the month as the BoJ left rates unchanged at its monetary policy meeting and Trump tariff policy fears weakened following the US and the UK coming to a trade deal. The market then rocked back and forth through the middle of the month despite the US and China agreeing to lower the additional tariffs they had imposed on each other as conservative earnings guidance weighed on sentiment. Share prices then rose again through the end of the month despite US long-term rates rising on the back of concerns over worsening fiscal conditions as the US agreed to postpone the imposition of tariffs on the EU and Nvidia released strong earnings results.

Composite Performance (%) Excess Return*



	May	QTD	YTD	1Y	3Y	5Y	7Y	10Y	SI
Composite	2.10	1.13	3.44	3.70	25.39	19.23	10.40	10.09	9.76
Benchmark	3.92	4.51	3.40	8.76	16.13	12.46	6.44	7.58	6.71

Top Ten Holdings	%
JTEKT CORP	3.88
TOYODA GOSEI CO LTD	3.71
DAISHI HOKUETSU FINANCIAL GR	3.70
TOYOTA BOSHOKU CORP	3.56
NIHON M&A CENTER HOLDINGS IN	3.30
NISHI-NIPPON FINANCIAL HOLDI	3.24
CHUGIN FINANCIAL GROUP INC	2.97
NORTH PACIFIC BANK LTD	2.89
MABUCHI MOTOR CO LTD	2.81
K'S HOLDINGS CORP	2.74
Total	32.78

Characteristics	Portfolio	Benchmark
P/E	10.86x	12.41x
P/B	0.72x	1.05x
ROE	6.61%	8.50%
Dividend Yield	3.94%	2.98%

Market Cap	Portfolio	TOPIX
Large	0.0%	66.7%
Mid	51.5%	25.7%
Small	43.1%	7.5%
Others	2.0%	-

Composite Summary

Composite Name	SJAM Small Cap Mother Fund	
Benchmark	Russell/Nomura Small Cap**	
Inception Date	October 2007	
Number of Holdings	81	
Bloomberg Code	SNAMSMC	
Assets Under Management	Domestic	JPY 27.2B (USD 189M)
	Overseas	JPY 6B (USD 42M)
	Strategy total	JPY 33.3B (USD 230M)

* Excess return figures are annualized for three years and longer.

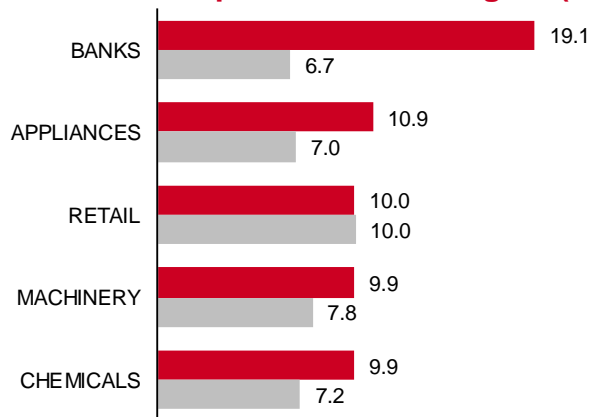
** Russell/Nomura Small Cap Index includes the dividends paid by the index constituents.

The data shown is of a representative account. Past performance is not a guarantee of future returns.

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Top Five Sector Weights (%)



■ Portfolio ■ Benchmark



Shigeyoshi Fujiwara, CMA
Senior Portfolio Manager
19 years investment experience
19 years at Sompo AM

Attribution Analysis

While sector allocation contributed to performance, stock selection detracted. In sector allocation, overweighting (OW) of Banks and Machinery and underweighting (UW) of Foods contributed to performance, while OW of Paper and UW of Nonferrous and Warehousing detracted. In stock selection, OW of Nihon M&A Center, North Pacific Bank, and Chugin Financial Group contributed to performance, while OW of Sawai Group Holdings, Seria, and Rengo detracted. Last month we increased holdings of JGC Holdings, Alfresa Holdings, and Tsumura & Co and decreased holdings of The Shiga Bank, Hokuhoku Financial Group, and Unipres.

Outlook

We expect the market will continue to face heavy upside resistance over the near term.

Japanese corporate earnings will likely be positively impacted by a recovery in domestic real wages and capital efficiency improvement measures implemented by companies following pressure from the Tokyo Stock Exchange (TSE) but may stagnate because of negative impacts from additional Trump tariffs. Valuation metrics like forward P/E fell significantly on concerns over additional tariffs but have already recovered from this because of expectations over negotiations between the US and individual countries. The market will now likely bounce back and forth according to news flow concerning the tariffs. We believe that share price will be supported by strong equity demand from the high level of large-scale share buybacks seen recently and the BoJ having relatively accommodative monetary policy compared to the US and Europe but that investor sentiment will unlikely rise until it is clear where Trump tariff policy will ultimately end up.

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